

April 14, 2003

Mayor's State of the City Report

A year ago this City Council passed a budget setting forth new directions in public safety, economic vitality and community service. It was a budget that recognized our commitment to provide excellence in public service, and it was a budget that recognized that in order to meet our challenges, we needed to be able to recruit and retain excellent civil servants.

With our course of action we were able to stop the flight of police officers to other jurisdictions. Through our bold initiatives we have been able to hire 13 new officers. When the new training program opens up, more will be hired.

We are still suffering the pangs of 9-11. Three Code Oranges. Safety barriers, at the entrance to the Naval Academy and around our historic State House, remind us of our vulnerability.

The hiring of the City's first full-time Emergency Manager, the first in the state since September 2001, helped us learn what we must do differently for public safety. Our plans for construction of our police facility were modified. Recognizing the demands upon our City that serves a population of 100,000 - 3 times more than the census - which does not count the Naval Academy, St. John's College, or State and County offices, Governor Ehrlich and the General Assembly granted us an unprecedented two million dollars to help defray the costs of the Emergency Operation Center. * * * Please give Kathy Nieberding a hand for the hours - 24/7 - she spent shepherding the City's request for State support to its successful conclusion.

The city has other emergency service demands. Public safety is paramount, and every single one of our citizens must feel secure knowing they can count on rapid response in a medical emergency. To that end, we are dedicating funds to a fourth paramedic unit for the Annapolis Neck. The demand on our dedicated staff is overwhelming, with too many sleepless nights. We owe them our applause for a job well done, and a promise relief on the way.

We are moving into a new era in public service. Demands for excellence exist. Resources to meet those demands are reduced. For example, our revenues are down approximately 1.2 %. That's right, the "embarrassment of riches" you heard about is actually a net loss. We were aggressive and successful this past year in securing grants to achieve our goals. But in the future, innovation for excellence will demand new ways of work and collaborative sharing of limited resources.

Mayor's State of the City Report

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Every year, we expect utility costs to go up, and insurance costs to rise. Reductions in state revenue (approximately \$800,00 this year) will probably continue, and the slump in investment revenues is likely to as well.

This is a bare bones budget. Expenditures in the General Fund are diminished by 5.4% .

Over the year, we have hosted a number of community forums on issues concerning citizens to solve problems. The collaborative process provided an opportunity for police, citizens and businesses to identify priority concerns in the West Street, Clay Street and Washington Street area, and to chart a course of action. Out of this process, new communication links for the police department developed. Now citizens can find Officer Hal Dalton's Neighborhood Watch Report on the City web, annapolis.gov, receive it daily via e-mail, and watch a regular police beat show on our cable network. As a result of this process, the Clay Street Public Safety Committee was born. Citizens are demonstrating the commitment and effort to take back the streets from drug dealers. Let's applaud the citizens who have shown such leadership efforts, particularly Dennis Conti for his work with Neighborhood Watch and getting Verizon to donate cell phones to connect residents and police . When members of our neighborhoods and businesses and public agencies work together, good things can happen.

This year we hope to repeat the collaborative process in another part of the city.

Out of the collaborative process First Sundays was born. First Sundays, a street fair, is promoted by the businesses on the first blocks of West Street and emphasizes our cultural diversity. Hats off to Brian Cahalan, Gavin Buckley, Pam Findley, and Eric and Megan Evans for this initiative.

In 2003, we charted a new course with Minority Business Development, hosting a number of seminars for people desiring to start a business of their own. Successful entrepreneurs have shared their stories about transforming their "someday I want to" to making someday happen. Leading by example, our own City management is more diverse, with 42.5% minorities, an increase from 28% . African Americans in management positions increased 100%. We still have much to do with more attention to our increasing Hispanic population.

This new budget provides for partnership programs with the Community College and Anne Arundel County to help people acquire workplace skills. Last week we received a contribution from the Rotary Club towards the purchase of tool belts for a program to train at risk young men and women in home renovations. Besides developing job skills, perhaps this program will provide the impetus to begin "a business of my own".

As part of our goal to develop career pathways, we have also provided a scholarship to Anne Arundel Community College for residents of subsidized housing. As part of an endowment, the College will manage the City of Annapolis scholarship program in perpetuity.

Recognizing that very young people in at-risk environments need an extra leg up, the Bridges Educational Program is recommend for a new initiative at the County Social Service Center on West Street. The program will serve 120 four-year olds and their parents. After one year, with trained staff, the program should stand on its own.

With less than \$100,000 we hope to be able to touch the lives of those with limited opportunities - our goals

Mayor's State of the City Report

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for community service, economic vitality and public safety are addressed in each of these programs.

We are looking forward to a partnership we are establishing with the Board of Education for an after school enrichment program in every elementary in the City of Annapolis. Not only do these activities offer stimulating educational and interesting opportunities for youngsters to explore and share, they give parents who work the peace of mind knowing their children are in a safe and stimulating community environment.

Restructuring our departments as the new Department for Neighborhood and the Environment which brings Inspections and Permits and Code Enforcement , now scattered, under one department should improve effectiveness and efficiency.

Choosing to lead by example, we have implemented new "green" initiatives - such as the installation of Light Emitting Diodes in our traffic signals and more fuel efficient cars, which will also reduce utility costs.

At the same time, Federal requirements of the Clean Water Act mandate doing more faster. Stormwater continues as the principle polluter of our streams, river and the Bay.

To hasten our development of rain-garden, bio-diversity and storm drain improvements which absorb water flow back through the earth into our water table, instead of cutting gullies carrying sediment to soil our streams, I am asking for "a nickel a day for the Bay" to initiate such programs.

In this budget is also a clean air initiative. I have asked for an education package to engage citizens in steps each of us can take to reduce the flow of pollutants that increase our too frequent Code Red days and threaten future funding by failure to meet federal standards. We can't clean the atmosphere in this region by ourselves. But again, we can lead by example and apply best practices to the way we go about our daily lives.

This has been a challenging year - Mother Nature let us know how much she was in control. Heat waves, droughts, mosquitoes, the snow fall of the century added to our man-made challenges of terrorism, code oranges and local fears and anxieties about where to park my car, trash and the increased value of my home. We can't do much about Mother Nature, but we can take on those other things that vex us, parking, trash, and rising property values.

A citizens committee addressing fears over increased assessment unveiled little known State and County programs of tax relief. They also recommended a tax deferral program for the city. With your approval, we will initiate a program for residents age 65.

To this, I am recommending a 2.4 cent decrease in the City property tax rate to 60 cents. This rate takes into account the adjustments in the constant yield for millions in assessments under appeal, increases in utility costs, reductions in State operating revenue of approximately \$800,000 from the Highway user fee and other programs, and the natural slump in investment revenues.

These two initiatives will reach far more citizens than the proposed Homestead Tax Credit. Every property owner will receive information on how to participate in all the tax relief programs available, and all will benefit from the reduction in the tax rate.

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For the first time in 30 years we have an agreement with the Naval Academy Athletic Association for a share of parking revenues at the stadium that should net us a new \$100,000. This will contribute to enhancing the shuttle service and making it an even more attractive alternative to parking downtown.

We also continue to explore ways to institute a valet parking program to ease the congestion downtown.

We recognize that we can do better with the trash collection policy. A change in the way we do business downtown for commercial pick-up is proposed to enhance a clean-city initiative and reduce demands on City staff under the current system.

Do we have other challenges ahead? Of course, the state and national economic crisis will continue to dictate belt-tightening. As the economy shrinks, opportunities to open doors for small businesses may diminish.

We will have continued needs for public safety and unmet demands for workforce/affordable housing. Runaway health insurance premium increases erode our ability to maintain adequate employee health benefits, dictating a need for aggressive state legislative action.

Still, we end the year with an AA+ Bond Rating - the best ever for the City. Only one rating is higher. We must maintain our fiscal health, a major challenge for the future.

In conclusion we will:

Continue to recruit and retain the best civil servants, with a continued focus on ensuring Public Safety, Economic Vitality and Community Service.

Learn to do more with less, improving our management system and service delivery through tracking resources and monitoring results, increased collaboration, partnership, innovation and citizen participation,

Set the highest standards for everyone in our City through leading by example.

Respectfully submitted

Ellen O. Moyer, Mayor

Changes from the FY 2004 Proposed to the FY 2004 Adopted Budget

The Mayor's State of the City Report is presented to the City Council and the Citizens of Annapolis as an accompaniment to the Mayor's Proposed Operating Budget and Capital Improvement Program. The State of the City Report highlights the Mayor's major initiatives and goals contained in the proposed budget for the upcoming year, focusing on the proposed property tax rate, organizational changes, and major capital projects. Once the Mayor's proposed budget has been presented to the City Council, the Council may then propose amendments to the Mayor's budget; these amendments are voted on during the City Council meeting at which the budget is adopted.

The Mayor's State of the City Report on the preceding five pages includes projects and changes that the Mayor had incorporated into her proposed budget; some of these were modified, replaced, or eliminated by the City Council when the budget was adopted.

Changes from the proposed budget to the adopted budget are as follows:

<i>Adjustments to Revenues</i>	<i>From</i>	<i>To</i>	<i>Change</i>
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<i>Proposed FY 2004 Revenues</i>	<i>\$54,924,440</i>		
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Increase Property Taxes - Personal Corporation	1,300,000	1,470,000	170,000
Decrease Intergovernmental Revenue - County 911	369,000	199,000	(170,000)
<i>Adopted FY 2004 Revenues</i>	<i>\$54,924,440</i>		

<i>Adjustments to Expenditures</i>	<i>From</i>	<i>To</i>	<i>Change</i>
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<i>Proposed FY 2004 Expenditures</i>	<i>\$54,924,440</i>		
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1	Decrease a grant to AACC	10,000	0	(10,000)
2	Provide a grant to the Annapolis Business Association	0	10,000	10,000
3	Provide a grant to the Annapolis Heritage Area	0	35,000	35,000
4	Provide a grant to Anne Arundel Conflict Resolution	0	7,000	7,000
5	Provide a grant to Arc of AA County	0	1,500	1,500
6	Decrease a grant to the Bridges Program	34,000	17,000	(17,000)

Changes from the FY 2004 Proposed to the FY 2004 Adopted Budget

- continued -

<i>Adjustments to Expenditures</i>		<i>From</i>	<i>To</i>	<i>Change</i>
7	Provide a grant to Chesapeake Childrens's Museum	0	6,000	6,000
8	Provide a grant to First Night	0	7,000	7,000
9	Provide a grant to the Legal Aid Bureau	0	5,000	5,000
10	Increase grant to Mt. Olive Tutorial	25,000	40,000	15,000
11	Provide a grant to Noah's Arc	0	20,000	20,000
12	Decrease a grant to the Annapolis Youth Construction Training	25,000	15,000	(10,000)
13	Provide a grant to Restoration Community Development	0	5,000	5,000
14	Provide a grant to Times Community Services	0	10,000	10,000
15	Provide a grant to the Volunteer Center	0	5,000	5,000
16	Provide a grant to We Care and Friends	0	20,000	20,000
17	To eliminate the non-specific grant designation	42,500	0	(42,500)
18	Partial funding cut for CIP #452, Coordinated Traffic Signal Control System	297,250	220,250	(77,000)
19	Eliminate the temporary position of Program Coordinator - Police Dept.	9,714,830	9,694,830	(20,000)
20	Additional person to P & Z Dept.	736,560	784,060	47,500
21	Reduce Contingency Fund	400,000	362,500	(37,500)
22	Increase Economic Development - Special Projects	54,660	74,660	20,000
Adopted FY 2004 Expenditures		\$54,924,440		

Budget Overview

Total Financial Program:

- C The adopted operating budget for the General Fund and the seven enterprise funds totals \$54,924,440, a decrease of 1.2% from last year. The FY 2004 Capital Budget total of \$40,192,100 represents a decrease of 6.2% over the FY 2003 Capital Budget of \$43,180,485.

Major Initiatives:

Certain major initiatives set the tone for the development of the budget. They are as follows:

- To provide a dedicated revenue source for the repair, replacement and construction of storm water facilities to meet the goals of the Clean Water Act as well as citizen concern for the quality of our streams and the Chesapeake Bay, A Clean Waters Fund - A nickel a day for the Bay - is created.
- A new agreement with the NAAA on parking at the stadium will provide the City with \$1 from every car during the week and the full net fare on weekends and is expected to generate \$100,000 in additional revenue annually.
- To improve our ability to keep Annapolis clean. The City will contract for the collection of commercial refuse downtown. This should bring uniformity and oversight to the service as well as provide funding for the necessary clean up service currently being provided. No new revenue or expense is anticipated.
- The City will continue its community outreach by enhancing the Department of Economic Development and Community Services. Special emphasis is placed on small businesses, minority businesses, cultural and heritage programs, youth programs, and community and social programs. Customer relations software is being utilized for tracking constituent complaints, concerns, and suggestions. The City's website, www.annapolis.gov, will be upgraded and enhanced with additional information for citizens and businesses who wish to utilize City services via the web or to register for email updates on various City news and events.
- The City will partner with Anne Arundel County on the Bridges' Learning Discovery and Learning Development Programs. The Learning Discovery Program will target 120 pre-kindergarten learners, while the Learning Development Program will target 100 kindergarten through adult learners.
- Faced with another 17-19% increase in health insurance costs, the City will pursue self insurance in this area as it has already done with automobile, liability, and workers' compensation. In FY04 the City will save approximately \$250,000 in administrative fees with continuing coverage under Carefirst Blue Cross and Blue Shield.
- The tax rate has been reduced from 62.4 cents to 60 cents per \$100 of assessed value. The constant yield rate for FY04 is 57.1 cents per \$100 of assessed value. The proposed tax rate

Budget Overview

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considers the impact of a cost of living increase of approximately 3% for the Annapolis area, the continued slump in investment earnings, and the significant cut in State Shared Highway User revenue, and other State revenue cuts. Additionally, increases of approximately \$100,000,000 in assessed value are under appeal. Successful appeals unknown at this time would reduce our assessable base and increase the constant yield rate.

- Grant funding will continue to be an area of concentration for all City departments. The City is utilizing an on-line grant locator service to research areas of interest and quickly get specific grant information. A critical area of concern is emergency preparedness. The City hopes to continuing receiving a portion of the Federal aid being offered. Many initiatives and projects are taking place that won't show in this budget. An example is the gateway enhancement project being managed and funded by the State Highway Administration in coordination with City staff. The enhanced areas will include Aris T Allen Boulevard, West Street, and Rowe Boulevard.
- A new Department of Neighborhood and Environmental Programs will be created utilizing current staffing in the departments of Public Works and Planning and Zoning. Current services provided by the inspections and permits section and zoning enforcement will be under one Code Enforcement section. In addition, a new Environmental Programs section will be created by consolidating current staff of the environmentalist, pretreatment inspector, storm water management engineer, and the contractual environmental assistant position. A new Clean Air Program will be a part of this department.
- The Budget provides for citizens 65 years and older to defer any increase in their city taxes. This program as well as the City's participation in the Homeowners' Tax Credit Program and Renters' Tax Credit Program should provide some relief for those taxpayers most in need. Funding has been provided to develop and distribute a brochure outlining the various programs available to taxpayers for tax relief.
- Recommendations of bonding agencies have been met to preserve our AA+ rating. Measures have been taken to reduce costs, while maintaining high levels of service. Fund balances are adequate to safeguard against continued economic downward trends and further cutbacks from other agencies. Capital projects have been re-assessed and priorities changed with a public safety emphasis and a realistic view of future State funding levels.

Capital Improvement Program Highlights:

- C The FY 2004 - FY 2009 Adopted Capital Improvement Program (CIP) recommends a six-year \$110.7 million program of public improvement, which represents an increase of \$6.1 million over the FY 2003 - FY 2008 program.
- C The program budget includes estimates for a new Park Place Garage (\$25,000,000) to be funded by a TIF district; \$11,700,000 for a new Recreation Center at Truxton Park; \$13,221,000 for the West Street

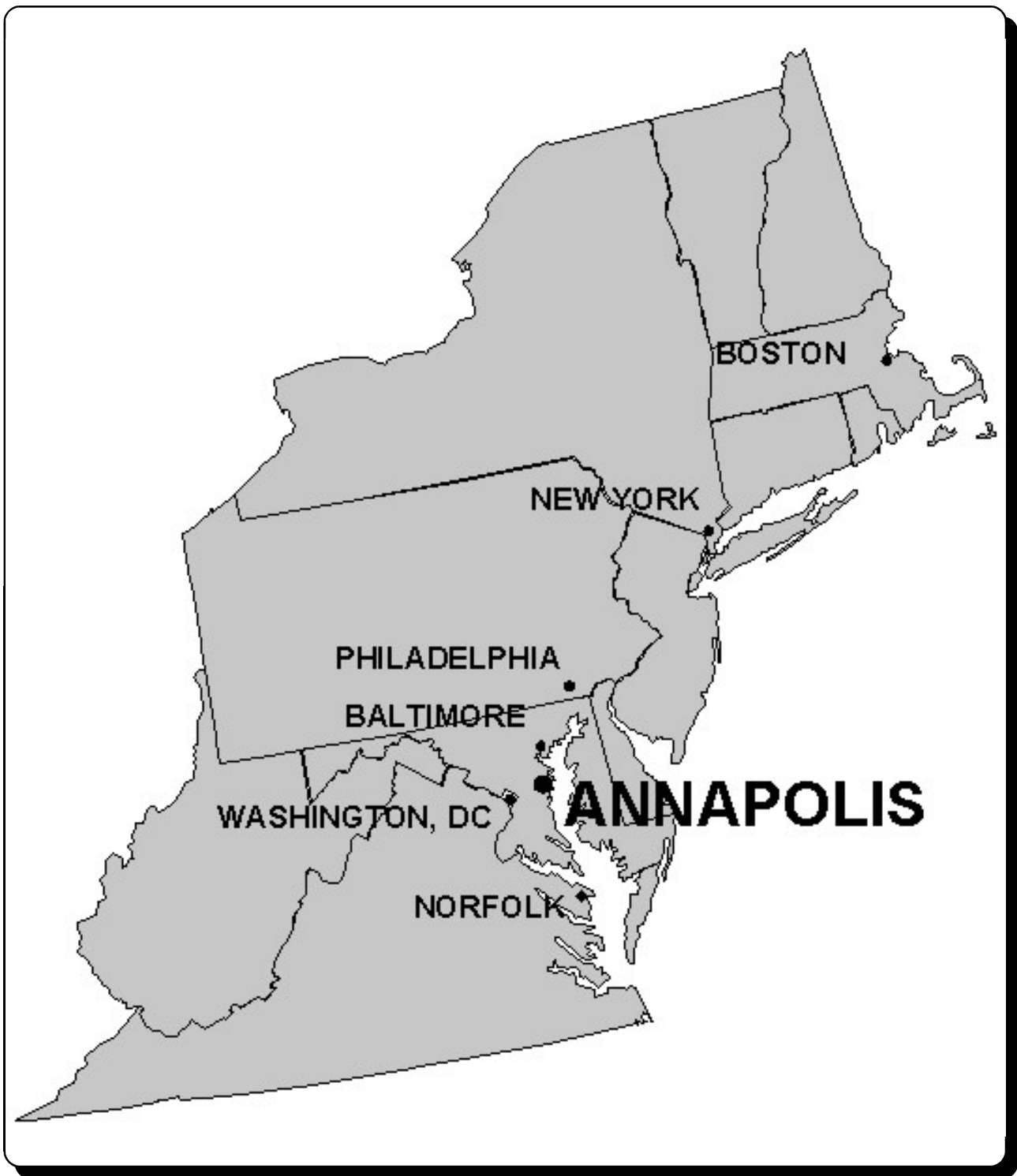
Budget Overview

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Revitalization project; and \$11,465,000 for construction of the Knighton Garage.

- C \$6,256,000 is budgeted for the Vehicle Replacement Program and \$608,000 for the Information Technology Replacement Program over the next six years.
- C \$3,623,000 is budgeted for the replacement of the City's financial management system with a more comprehensive municipal administration package. The new system will utilize the new "push" technology and provide access via the internet for better customer service and improved community outreach.
- \$8,600,000 for a new addition and renovation to the current Police headquarters, which will include a new Emergency Operations Center, is in the program.
- C Water and Wastewater CIP projects total \$13.9 million.

Regional Map



Community Profile

Annapolis is an incorporated municipal corporation of the State of Maryland (the "State"), possessing substantial home rule powers under the State constitution. First settled in 1649 by Puritans fleeing Virginia, the City was chartered in 1708 and served as the capital of the United States when the Congress met there in 1783-84. The City serves both as the capital of the State and as the county seat for Anne Arundel County; and acquired home rule in 1954. Annapolis is situated on the Western shore of the Chesapeake Bay, at the mouth of the Severn River, east of and midway between Baltimore and Washington, D.C. The City has been the home of St. John's College (founded as King William's School) since 1696 and the United States Naval Academy since 1845.

The City covers an area of seven and one-half square miles. Population in 1950 was 10,047, but growth as well as annexation caused that figure to double by 1960 and more than triple by 1980. According to the 1990 Census, the population is 33,187, exclusive of the Naval Academy population of approximately 5,500. The Naval Academy constitutes a Federal enclave within the City, but is not within the corporate limits of Annapolis.

The appearance of the City is dominated by the handsome buildings of the Naval Academy and the historic State House of Maryland. In addition, there are a number of contemporary State and County office buildings which have been designed in keeping with the prevailing Georgian architecture of the community. Because of the number of residential structures of significant historic and architectural value for which Annapolis is famous, private and public groups have joined together to retain or to recapture the historic atmosphere of the community in keeping with modern urban requirements. An application to the Department of Interior to enlarge the then existing Historic District as designated on the National Register of Historic Places was approved in 1984. The Annapolis Comprehensive Plan was adopted by City Council in May, 1998.

Annapolis is served by three major highways, U.S. Routes 50/301, Maryland Route 2 and Interstate 97, which connect with the Chesapeake Bay Bridge, immediately northeast of the City. The District of Columbia is 27 miles to the west and the City of Baltimore is 27 miles to the north.

The City is governed by a Mayor and a City Council. The City is authorized to issue debt, subject to certain indebtedness limitations, for the purpose of financing its capital projects and to incur certain other indebtedness.

The executive offices of the City are located at the Municipal Building, 160 Duke of Gloucester Street, Annapolis, Maryland 21401.

The legislative body of the City is the City Council, consisting of the Mayor as the presiding officer and eight Aldermen who together comprise the City Council. One Alderman is elected from each of the eight wards into which the City is divided and must be a resident of the ward. The Mayor is elected at large. The Aldermen and the Mayor serve a four-year term, commencing in December of the year following the presidential election. The City Council has six standing legislative committees: Economic Matters, Finance, Public Safety, Rules and Government, Environmental Matters, and Housing and Human Welfare. The Mayor and Aldermen have one vote each. A simple majority is sufficient to pass legislation.

The City has independent jurisdiction over streets, street lighting, refuse collection and disposal, police, parks, harbor, off-street parking, public transportation, fire suppression and emergency services, planning and zoning, public health, water production and distribution, and sewage collection. Primary and secondary education is provided by the Board of Education of Anne Arundel County.

Demographic and Statistical Profile

Community Profile:

Date of Incorporation 1708
Form of government Mayor and Council

Demographics:

Area in square miles

2003 7.50
2002 7.50
2001 7.50

Climate

Average summer temperature (±5E) 71.9
Average winter temperature (±5E) 46.2
Average annual precipitation (inches) 40.8
Average annual snowfall (inches) 20.5

Population

2003 36,000
2002 36,000
2001 36,000
2000 per U.S. Census 35,838
1999 35,000
1998 35,000
1997 35,000
1996 34,400
1995 34,400
1994 33,500
1993 33,500
1992 33,300
1991 33,300
1990 per U.S. Census 33,178
1989 33,700

Median Age

2000 35.7

Age Composition (% in 2000)

Under 5 years 6.7
5 - 9 years 6.0

Age Composition (% in 2000), continued

10 - 14 years 5.6
15 - 19 years 5.9
20 - 24 years 6.9
25 - 34 years 17.7
35 - 44 years 15.7
45 - 54 years 14.3
55 - 59 years 5.3
60 - 64 years 4.0
65 - 74 years 6.3
75 - 84 years 4.4
85 + years 1.3

Household Income and Expenditures

Average Household Income \$35,516
Per Capita \$23,461
% below Poverty Level 12%
Median Housing Value
(owner-occupied) \$137,400
Median Mortgage Payment \$734
Median Gross Rent
(renter-occupied) \$602

Households and Housing Units

Households 15,303
Housing Units 16,165
Tenure
Renter 7,398
Vacancy Rate 3.8%
Owner 7,905
Vacancy Rate 1.4%

Economics:

Employment by Industry (%)

Construction / Landscape 5
Utilities 2
Trade 17
Fire, Insurance, and Real Estate 5
Services 21
Government 50

Demographic and Statistical Profile

- continued -

Taxes

Local Retail Sales Tax Rate	5%
Personal Income Tax Rate	5%
Corporate Excise and Income Tax	7%
Franchise Taxes:	
Financial Institutions - based on % of MD modified taxable income	7%
Public Utilities - based on % of gross receipts apportioned to MD	2%
Unemployment Compensation Tax - base rate	7.1%

2000 Property Tax Assessed Valuation

Primary	\$2,331,569,788
Secondary	\$123,314,226

Building Permits

Commercial

<u>Year</u>	<u>Permits</u>	<u>Value</u>
2001	290	\$23,978,994
2000	312	\$30,391,663
1999	271	\$13,810,889
1998	253	\$13,961,720
1997	260	\$12,432,670
1996	220	\$9,265,897
1995	279	\$15,904,944
1994	209	\$22,573,571
1993	214	\$13,246,251
1992	201	\$17,254,084

Residential

<u>Year</u>	<u>Permits</u>	<u>Value</u>
2001	836	\$57,536,150
2000	784	\$23,582,607
1999	734	\$18,726,165
1998	699	\$17,660,208

Residential, continued

1997	738	\$18,868,634
1996	697	\$19,624,695
1995	601	\$15,145,607
1994	430	\$5,630,296
1993	510	\$10,195,977
1992	407	\$7,847,265

Service Statistics:

Fire Protection (2001)

Stations	3
Career firefighters	94
Civilian personnel	4
Volunteer firefighters	60

Police Protection (2001)

Stations	1
Uniformed police officers	128
Civilian personnel	42
Police vehicles	91

Public Works (2001)

Water

Water mains in miles	128
Water treatment plants	1
Storage tanks	4
Water consumption (annually)	1,500 MG
Number of accounts	11,859

Sewer

Sewer lines and storm drains in miles	140
Sewer treatment plant (50% owned)	1
Sewer pumping stations	23
Sewage treated (annually)	1,900 MG
Number of accounts	10,877

Demographic and Statistical Profile

- continued -

Utility Rates

Gas (cents/therm)	
General service	
1st 10,000 therms	15.51
additional therms	7.65
Residential	17.86
Electric (cents/kwh)	
Summer	
General service	8.036
Residential	8.398
Non-Summer	
General service	5.449
Residential	
up to 500 kwh	7.311
over to 500 kwh	5.358

Recreation - City owned

Playgrounds and parks in acres	120
Baseball fields	5
Football fields	4
Basketball courts	11
Tennis courts	16
Playgrounds	20
Pools	1
Public Boat Ramps	12

Education - County provided

Elementary and secondary schools	9
Elementary school enrollment	2,305
Middle school enrollment	1,075
High school enrollment	1,250
Colleges:	
U.S. Naval Academy enrollment	4,000
St. John's College enrollment	500

Education - County provided, continued

Anne Arundel Community College enrollment	15,000
Graduates continuing education	83%
Classes at or below desired student/teacher ratio	85%

Health Care Facilities

Anne Arundel Medical Center	
Beds	303
Physicians	340
Birthing Center	
Magnetic Resonance Imaging Center	
Oncology Center	
Outpatient Surgery Center	
Community Health Education Center	
Outpatient Radiology Center	

Major Events

Maryland State Legislature	
in Session	January - April
Waterfront Festival	April - May
U.S. Naval Academy Commissioning	May
Independence Day Fireworks	July
Wine Festival	July
Maryland Seafood Festival	September
Anne Arundel County Fair	September
Maryland Renaissance Festival	September - October
U.S. Sailboat Show	October
U.S. Powerboat Show	October
Chesapeake Appreciation Days	October
Christmas Lights Parade	December
First Night Annapolis	December

The Budget Process Schedule

September

- Budget Summit with Mayor and City Council

November

- Finance prepares Preliminary Revenue Estimates
- Finance prepares Operating and Capital Budget Instructions

December

- Departments submit Enhancement Requests
- Citizen Budget Workshops held

January

- Departments submit Operating and Capital Budget Requests
- Departments Operating Budget and Enhancement Requests reviewed with Mayor

February/March

- Finance prepares Operating and Capital Budgets with Mayor

April

- Mayor's Proposed Operating Budget submitted to Council and Finance Committee by second Monday
- Budget Legislation to Council for First Reader
- Finance Committee holds Public Hearings on the Mayor's Proposed Operating and Capital Budgets with Department Directors
- Council Public Hearing held on Proposed Operating Budget and Constant Yield Tax Rate

May

- Finance Committee recommendations on the Mayor's Proposed Operating Budget to the Council by second Monday
- Council Adopts the FY 2004 Operating Budget
- Council adopts the FY 2004-2009 Capital Improvements Program

July

- Fiscal Year 2004 begins on July 1, 2003

The Budget Development Process

- continued -

Budget Adoption:

The City Charter requires that the Mayor submit a proposed budget (for all funds except the Internal Service Fund, the Pension Trust Fund and the Special Revenue Fund) to the City Council no later than the second Monday in April of each year for the fiscal year commencing the following July 1st. The Finance Committee makes recommendations on the budget to the full City Council. The City Council conducts public hearings on the budget. No later than June 30th, the budget is legally enacted through passage of a budget ordinance which establishes spending authority by fund for the operations of the City. The level on which expenditures may not legally exceed appropriations is the fund level and budget revisions at the fund level require City Council approval.

Budget Revisions:

Approval for Changes: Because it is the City Council that establishes the original operating and capital budgets, it is the City Council that must approve changes to it. Members of the Council are appointed to the Finance Committee to do the business of hearing requests for budget changes, evaluating them, and making recommendations to the Council with regard to them.

Procedure for Changes: Because there needs to be a document setting forth each request for a change to the budget, the Finance Office has devised what it calls a budget revision form. This form specifies which line-item budgets are being changed and by how much - and it provides an explanation of, and a justification for the transaction or circumstances that have necessitated the budget change(s). It also provides for the signature of the department director making the request, the signature of the Finance Director affirming the sufficiency of funds supporting the

change, and the signature of the Mayor and his recommendation to the Finance Committee relative to the action it should take with the request.

Budget Basis:

The budgets of general government type funds are prepared on a modified accrual basis. Under this basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, if measurable, except for debt service which is recognized when due.

The Comprehensive Annual Financial Report (CAFR) is prepared on the basis of Generally Accepted Accounting Principles (GAAP). In most cases this conforms with the way the budget is prepared, with the following exceptions. In the General Fund, the budget basis differs from GAAP in that the budget basis reflects encumbrances as the equivalent of expenditures. GAAP reflects encumbrances only as reservations of fund balance. Also, under the budget basis, interfund transfers are considered the equivalent of revenues and expenditures of the affected funds. In addition, new capital leases are recorded as expenditures and other financing sources only on a GAAP basis. The Comprehensive Annual Financial Report shows fund expenditures and revenues on both a GAAP basis and budget basis for comparison purposes.

The enterprise funds (Water, Sewer, Off Street Parking, Dock, Market, Transportation, and Refuse) are budgeted on a full accrual basis. This means that revenues are recognized when they are earned, i.e. water use fees are recognized as revenue when bills are produced, and expenditures are recognized when the liability is incurred.